



September 24, 2010

KATE F. WILEY
DISTRICT MANAGER, ATLANTA DISTRICT

SUBJECT: Audit Report – City Delivery Efficiency Review – Atlanta District
(Report Number DR-AR-10-009)

This report presents the results of our audit of City Delivery Efficiency Review – Atlanta District¹ (Project Number 10XG044DR000). Our objectives were to assess overall efficiency of city delivery operations and identify opportunities to reduce operating costs in the Atlanta District. This self-initiated audit addresses operational risk. See [Appendix A](#) for additional information about this audit.

The U.S. Postal Service is delivering fewer pieces of mail to a growing number of addresses as new households and businesses are added to the delivery network each year. The Postal Service must achieve unprecedented levels of efficiency to accommodate this new growth, while facing financial losses from declining mail volumes and rising costs.

Conclusion

The Atlanta District was not operating at peak efficiency and could reduce city delivery operating costs. Our benchmarking comparison determined the Atlanta District used approximately 9 minutes more per day than the national average for each carrier route, compared to the standard for that route. This equated to more than 87,000 workhours over 10 years. The measurement for this factor, called percent to standard,² was 111.18, about 5 percentage points above the national average of 106.49 percent.

Operation Efficiency

Although numerous factors were involved, our review of 22 randomly selected delivery units confirmed these inefficiencies and determined that district management did not always (1) provide sufficient review and oversight of unit offices' operating efficiencies and (2) coordinate with the mail processing facility to ensure mail was timely received and in a condition that promoted office operating efficiency. Eliminating time-wasting practices and

¹ The Atlanta District is one of eight districts in the Southeast Area. It consists of 125 delivery units that deliver mail on 1,950 city routes with more than 1,383,844 delivery points.

² A measure of carrier office workhour performance in relation to mail volume and delivery points. A figure of 100 percent indicates that office performance is at the stated performance goal. A figure greater than 100 percent indicates performance is less than the desired standard.

increasing focus on efficiency could allow management to reduce workhours. Some examples include ensuring that:

- Management discusses morning and afternoon office expectations with carriers to reduce additional street time on routes.
- Clerks and carriers do not unnecessarily re-handle unshelved mail transport containers to identify and retrieve delivery point sequence³ (DPS) mail.
- Units receive the proper mail mix from the processing facility per the integrated operating plan (IOP).⁴
- Carriers spend less time waiting for mail.

See [Appendix B](#) for additional information about these issues.

Consequently, the Atlanta District used more workhours than necessary to deliver the mail. Adjusting its operations would increase the Atlanta District's overall efficiency by reducing approximately 87,212 workhours, resulting in savings of about \$2.7 million annually or \$27 million over 10 years. See [Appendix C](#) for additional information about this issue.

We recommend the district manager, Atlanta District:

1. Reduce the Atlanta District's workhours by 87,212 to achieve an associated economic impact of about \$27 million over 10 years.
2. Reinforce Postal Service policies and procedures for supervising city delivery office operations in delivery units and eliminate time-wasting practices as appropriate.
3. Require processing facility managers and delivery managers to coordinate, review, and update all integrated operating plans to ensure mail arrives timely and in the condition necessary to promote office efficiency.

Management's Comments

Management agreed with the findings, recommendations, and monetary impact in our report. In response to recommendation 1, management stated the Atlanta District has already taken corrective action and implemented a business plan on July 28, 2010 that consists of various strategies. These strategies include ongoing route reductions, Flat Sequencing System implementation, delivery unit optimization, training for delivery supervisors and managers, and daily management actions, which will result in a total Fiscal

³ A process for sorting bar-coded letter mail at the processing plants and delivery units into the carrier's line-of-travel. Mail is taken directly to the street, with no casing time in the office.

⁴ The IOP contract covers mail arrival from the plant and identifies the product of mail agreed upon for each individual trip. The primary purpose is to stabilize mail flow (for example, arrival time of DPS, auto letters, and auto flats) based on other requirements for mail arrival such as the mail mix/unit distribution percentage.

Year (FY) 2011 savings of 135,000 workhours, including the 87,212 hours cited in the audit report.


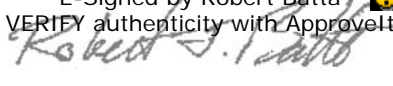
For recommendation 2, management stated that to set morning and afternoon office expectations, As of August 2, 2010, Delivery Operations has created and disseminated reports to the field showing opportunities in the units in the areas of morning and afternoon office time and Managed Service Points loading time. In addition, management also plans to hold a class on City Delivery Operations. Regarding mail condition, the Atlanta District plans to address the issues with DPS mail not arriving at the unit properly staged by clerks and the Integrated Operating Plans (IOPs) mail arrival issue to ensure that units receive their mail on time and in the proper mix by September 17, 2010. Further, to reduce carrier wait time, the Atlanta District will re-emphasize to Customer Service Managers the Function 4 strategies requiring clerks to stage 80 percent of the mail in city carrier cases before carriers arrive for duty by September 17, 2010. In addition, management plans to re-emphasize that clerks should work mail in the following order: flats, letters, parcels, and accountables. The Atlanta District will complete these actions by October 1, 2010. In response to recommendation 3, management stated they would review and update all IOPs by September 30, 2010. The Atlanta District will review IOPs on a continual basis as the needs of the business dictate. See [Appendix D](#) for management's comments, in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations and management's corrective actions taken and planned should resolve the issues identified in the report.

The OIG considers recommendation 1 significant and therefore requires OIG concurrence before closure. The OIG considers the support provided by management detailing corrective ongoing actions to be sufficient to close this recommendation.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Rita Oliver, director, Delivery, or me at (703) 248-2100.

E-Signed by Robert Batta 
VERIFY authenticity with ApproveIt


Robert J. Batta
Deputy Assistant Inspector General
for Mission Operations

Attachments

cc: Patrick R. Donahoe
Steven J. Forte
Dean J. Granholm
Linda J. Welch
Chanel L. Reedus
Elizabeth A. Schaefer
Phillip F. Knoll
Corporate Audit and Response Management

APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

Delivery operations are the Postal Service's largest operational function, accounting for approximately 45 percent of salary expenses and workhours. Despite an annual increase of approximately 1 million delivery points, delivery operations used 36.5 million fewer workhours in fiscal year (FY) 2009 because of effective growth management, increased use of automation, standardization of best practices, and improved productivity. Although delivery operations used fewer workhours, workhour reduction has not kept pace with declining mail volume. Nationally, mail volume declined by 14 percent during the first two quarters of FY 2010, ending March 31, 2010. During this same period, mail volume declined in the Southeast Area by 8.9 percent while workhours declined by 6.2 percent, and in the Atlanta District mail volume declined by 6.6 percent while workhours declined by 4.7 percent.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our objectives were to assess the overall efficiency of city delivery operations and identify opportunities to reduce operating costs within the Atlanta District. To accomplish our objectives, we:

- Ranked the eight areas from highest to lowest in terms of percent to standard from April 1, 2009, through March 31, 2010. We used the national percent to standard of 106.49 percent for April 1, 2009, through March 31, 2010, as a baseline guide.
- Judgmentally selected the Southeast Area and, within that area, the Atlanta District for review, because of its high percent to standard measurement of 111.18 percent.
- Randomly selected 22 delivery units in the Atlanta District for review.

At the selected delivery units, we:

- Obtained, reviewed, and analyzed delivery unit data related to office operations.
- Conducted interviews on-site and obtained information on carrier operations, unit operations, processes, and procedures.
- Conducted physical observations of office delivery operations.
- Reviewed documentation and applicable policies and procedures for city delivery and Postal Service Handbooks M-39⁵ and M-41.⁶

⁵ *Management of Delivery Services*, March 1998.

⁶ *City Delivery Carriers Duties and Responsibilities*, March 1998.

We conducted this performance audit from June through September 2010 in accordance with generally accepted government auditing standards and included such tests of internal controls, as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We discussed our observations and conclusions with management on September 2, 2010, and included their comments where appropriate.

We relied on data obtained from Postal Service database systems, primarily from eFlash.⁷ We did not directly audit the systems but performed limited data integrity review to support our data reliance. We assessed the reliability of delivery point data by reviewing existing information about the data and the system that produced them, as well as interviewing agency officials knowledgeable about the data. We determined that the data were sufficiently reliable for the purposes of this report.

The U.S. Postal Service Office of Inspector General (OIG) identified four audits related to our objectives that were issued over the past 3 years.

PRIOR AUDIT COVERAGE

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
<i>City Delivery Efficiency Review – Bay Valley District</i>	DR-AR-10-007	8/26/2010	\$79,016,988	The Bay-Valley District was not operating at peak efficiency and could save workhours and reduce city delivery operating costs. Although numerous factors were involved, our review of 22 randomly selected delivery units determined that district management did not always (1) provide sufficient review and oversight of unit offices’ operating efficiencies and (2) coordinate with mail processing facilities to ensure mail was timely received and in a condition that promoted office operating efficiency. Elimination of time-wasting practices and an increased focus on efficiency could allow management to reduce workhours. Management agreed to findings, recommendations and monetary impact.

⁷ A weekly operating report management system that combines data from delivery, mail processing, employee relations, labor relations, and finance. The information is extracted from various host systems and loaded into eFlash.

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
<i>City Delivery Efficiency Review-Los Angeles District</i>	DR-AR-10-006	7/1/2010	\$105,000,000	The Los Angeles District was not operating at peak efficiency and could save workhours and reduce city delivery operating costs. Although numerous factors were involved, our review of 25 randomly selected delivery units confirmed these inefficiencies and determined district management did not (1) provide sufficient review and oversight of unit offices' operating efficiencies and (2) coordinate with the mail processing facility to ensure mail was timely received and in a condition that promoted office-operating efficiency. Elimination of time-wasting practices and increased focus on efficiency could allow management to reduce workhours. Management agreed to findings, recommendations and monetary impact.
<i>City Delivery Efficiency Review – San Francisco Napoleon Street Station</i>	DR-AR-10-002	12/18/2009	\$21,308,433	The audit concluded that the Napoleon Street Station was not operating at peak efficiency and management could reduce city delivery costs. Our benchmarking comparison of five similar delivery units showed this station used 54,975 more workhours than necessary. We also found management did not adjust workhours to the changes in workload. Management agreed with our findings and recommendations to correct the issues identified.
<i>Timely City Delivery – Chicago District</i>	DR-AR-08-001	10/11/2007	N/A	The audit confirmed the Chicago District had difficulty with timely mail delivery. Specifically, delivery performance indicators showed office performance was well below standard and street performance was at an all-time low. Management agreed with our findings and recommendations to correct the problems.

APPENDIX B: DETAILED ANALYSIS

Operation Efficiency

The Atlanta District used 87,212 more workhours than necessary. Our benchmarking comparison determined the Atlanta District’s percent to standard measurement was 5 percentage points above the national average (111.18 percent compared to the national average of 106.49 percent). In other words, the Atlanta District used approximately 9 minutes⁸ more per day on each carrier’s route than the average carrier route in the nation. From April 1, 2009, through March 31, 2010, the Atlanta District ranked eighth in terms of percent to standard within the Southeast Area. See Table 1.

**Table 1. Southeast Area Percent to Standard Comparison
April 1, 2009, through March 31, 2010**

	Percent to Standard	Ranking
National Average	106.49	N/A
Districts in Southeast Area		
Mississippi District	91.62	1
Alabama District	98.72	2
South Georgia District	98.91	3
South Florida District	99.08	5
Suncoast District	99.68	4
Tennessee District	102.49	6
North Florida District	105.06	7
Atlanta District	111.18	8

Source: eFlash

This condition occurred because management did not always (1) provide sufficient review and oversight of unit offices’ operating efficiencies and (2) coordinate with the mail processing facility to ensure mail was timely received and in the condition necessary to promote office operating efficiency.

Setting Morning and Afternoon Office Expectations

Supervisors did not always set expectations for morning office operations at 13 of the 22 units. Further, supervisors did not effectively manage afternoon office time at 16 of the 22 units observed resulting in carriers incurring additional street time on the routes. For example, supervisors often printed the *Route Carrier Daily Performance Report*, but did not always discuss the report with carriers. If a carrier does not meet performance standards, a supervisor must investigate and discuss any performance deficiencies with the carrier.

⁸ 5,232,720 minutes (87,212 hours above the national average percent to standard multiplied by 60 minutes per hour) divided by 1,950 routes in the Atlanta District divided by 302 annual delivery days per year equals approximately 9 minutes per route per day.

We observed some carriers spending up to 10 minutes in the office after returning from their routes. Postal Service policy allows a standard 5 minutes⁹ for carriers to perform afternoon office duties. We also observed some carriers not clocking directly to “office time” upon returning to the unit in the afternoon, resulting in much of this additional time being included in street operations time. Atlanta District officials indicated that they have plans to create and disseminate reports to the field identifying opportunities for improvement with regard to morning and afternoon office time.

Mail Condition

DPS letters processed by the plants arrive at delivery units in mail transport containers that are not staged for easy retrieval by the carriers. This requires clerks and sometimes carriers to unload and sort through transport containers that may delay carriers unnecessarily. Postal Service policy¹⁰ states that mail processing should stage DPS letters for transport in shelved or modified containers so individual trays do not have to be re-handled at the delivery unit. See Illustration 1.

Illustration 1: Carriers Re-handling DPS Mail



Source: OIG

⁹ Some units allowed 10 minutes due to a local union agreement.

¹⁰ *Field Operations Standardization Development, Morning (AM) Standard Operating Procedures (AMSOP) II Guidebook, Section 2-6, 2007.*

Mail Arrival

Mail was arriving late in 14 of 22 delivery units, delaying some carriers in the office up to 30 minutes. This occurred because of plant delays and the mail arriving from the plant not matching the agreed upon mail mixture outlined in the IOP. The IOP is designed to help stabilize mail flow and is critical in establishing appropriate staffing and reporting times to ensure carriers are not delayed. Atlanta District officials have changed carrier start times and outlined strategies that require 80 percent of the mail to be staged at the city carrier's case before arriving for duty. Although the district has daily meetings and uses the IOP Discrepancy Reporting System and the Customer Service Daily Reporting System to report issues to the plant, mail flow issues often remain unresolved.

In several instances, unit management required carriers to either wait for Express Mail[®] to arrive before leaving the office, or return to the unit from the street to obtain Express Mail. District management agreed that Express Mail processing needs improvement, and they are discussing solutions to the problem. See Illustration 2.

Illustration 2: Carriers Waiting for Express Mail



Source: OIG

We found additional time was incurred by some carriers waiting to obtain accountable items such as certified or registered mail. Postal Service policy¹¹ states that accountable items must be available for carriers in a timely manner so as not to cause delays. Because carrier time should be minimized in the accountable operation, use of a mobile accountable cart operation¹² is highly encouraged. See Illustration 3.

¹¹ *Field Operations Standardization Development, Morning (AM) Standard Operating Procedures (AMSOP) II Guidebook, Section 3-1, 2007.*

¹² Clerks use accountable carts to transport items from the accountable cage to carriers.

Illustration 3: Carriers Waiting for Accountable Items



Source: OIG

Making adjustments to its operations would increase the Atlanta District's overall efficiency by reducing approximately 87,212 workhours, resulting in savings of about \$2.7 million annually or \$27 million over 10 years. See [Appendix C](#).

APPENDIX C: MONETARY IMPACT

Finding	Impact Category	Amount
Operating Efficiency	Funds Put to Better Use¹³	\$27,374,309

We estimated the monetary impact of \$27,374,309 in funds put to better use by reducing 87,212 workhours at delivery units in the Atlanta District. This amount included an estimated cost savings of \$25,579,608 from reducing city letter carrier positions over 10 years and \$1,794,701 in reduction of delivery office overtime workhours over 2 years. See Table 2.

Table 2. Atlanta District Station Workhour Savings

District	Delivery Units¹⁴	Total Routes	Estimated City Delivery Workhours Saved¹⁵	10-Year Projection of Savings from Reduction of Full-Time Equivalent (FTE) Positions	2-year Projection of Savings from Reduction of Partial FTEs' Overtime Workhours	Estimated Total Savings
Atlanta	28	1,950	87,212	\$25,579,608	\$1,794,701	\$27,374,309

Source: OIG

- We calculated funds put to better use for FTEs over 10 years using the FY 2011 city carrier level 2 fully loaded, labor rate with an escalation factor of 1.7 percent.
- To determine the extent of the reduction of city carrier FTE positions, we used a cash flow analysis based on city carrier complement and attrition from the WebEIS for FYs 2005 through 2009. We used this to determine how many city letter carriers are estimated to leave in future years.
- We used the discount rate of 3.875 percent based on the Postal Service's Decision Analysis Report Factors (cost of borrowing rate).
- We calculated funds put to better use for reducing city carrier workhours not equivalent to a FTE using the city carrier overtime rate for FY 2011 with an escalation factor of 1.7 percent for the 2-year projection.

¹³ Funds that could be used more efficiently by implementing recommended actions.

¹⁴ We identified cost savings at 28 of 125 delivery units in the Atlanta District.

¹⁵ The amount of estimated workhours the district can save if they improve their percent to standard from 111.18 down to the national average of 106.49. The reduction of these hours results in a projected FTE reduction of 36 positions over 10 years and a reduction of 24,212 overtime hours over 2 years.

APPENDIX D: MANAGEMENT'S COMMENTS



September 17, 2010

Memorandum: Katina Smith

Subject: City Delivery Efficiency Review -- Atlanta

We agree with all the findings, recommendations, and monetary impact of \$27 million over 10 years & savings of 87,212 work hours.

Management's Response to Recommendation 1.) Reduce the Atlanta District's work hours by 87,212 to achieve an associated economic impact of about \$27 million over 10 year.

As a district we have already taken corrective action and implemented a business plan on July 28, 2010 that consists of the following strategies - ongoing route reductions, FSS implementation, Delivery Unit Optimization, Training for Delivery Supervisors/Managers and daily management actions which will result in a FY11 work hour savings of 135,000 hours.

Management's Response to Recommendation 2.) Reinforce Postal Service policy and procedures for supervising city delivery office operations in delivery units and eliminate time-wasting practices as appropriate.

We have also addressed the four finding areas as follows:

Setting Morning and Afternoon Office Expectations The district has or will implement the following strategies. 1.) Operations plans to create and disseminate reports to field showing opportunities in AM/PM Office time and MSP Loading Time by August 2, 2010. A class on City Delivery Operations is also being planned for implementation by October 1, 2010.

Mail Condition (DPS) The district plans to address the issues with DPS mail not arriving at the unit properly staged by clerks. This will be completed by October 1, 2010.

Mail Arrival - The district plans to address the issue with the IOP to ensure that the units receive their mail on time and the proper mix by September 17, 2010. This will be completed by October 1, 2010.

Carriers Waiting for Mail - The Atlanta district will re-emphasize to field Customer Service Managers the F4 Strategies that have been outlined that requires 80% of mail to be staged at City Carrier cases before carriers arrive for duty by September

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17, 2010. Further, the district will re-emphasize that clerks should work mail in the following order: Flats, Letters, Parcels and Accountables by September 17, 2010. This action will be completed by October 1, 2010. Carriers waiting for mail caused by F4 should be reduced as a result. In addition, the actions outlined above for mail arrival will also reduce carriers waiting on mail.

Managements Response to Recommendation 3.) Require processing facility managers and delivery managers to coordinate, review, and update all Integrated Operating Plans to ensure mail arrives timely and in the condition necessary to promote office efficiency.

All IOPs will be reviewed and updated by September 30, 2010. IOPs will be reviewed on a continual basis as the needs of the business dictate.

Freedom of Information Act (FOIA)

The district has reviewed the report and has not identified any portions that need to be exempt under FOIA.

If you have any questions or concerns, please contact Chanel Reedus at (770) 717-3771.


Kate F. Wiley
District Manager
Atlanta District